

## **Community Development Division:**

The Community Development Division works with federal, state, and local governments, private non-profit organizations, and private citizens, in regard to community planning and needs identification, planning and financing for the construction of public facilities, housing development for low and moderate income families, neighborhood revitalization, and coal and hard rock mining mitigation, as well as management of projects funded through division programs.

There are two major programs directly administered by the Division:

- The Community Development Block Grant Program (CDBG), and
- The Treasure State Endowment Program (TSEP).

The Montana Coal Board and the Montana Hard Rock Mining Impact Board are also attached to the Community Development Division for administrative purposes. The Division provides office facilities and necessary staff and administrative support for the boards.

These four programs provide both financial and technical assistance to Montana communities, local elected officials and staff, nonprofit organizations, private sector developers and consultants, state and federally-recognized Indian Tribes, and private citizens. Other assisted entities include local planning boards and zoning commissions, community development corporations, human resource development councils, water and sewer districts, fire departments, and housing authorities.

- The Community Development Block Grant (CDBG) program is primarily funded with federal funds allocated through the U.S. Department of Housing and Urban Development (HUD) although the general fund provides a required match for a portion of the administrative costs of the program equal to three percent of the annual CDBG allocation.
- The Coal Board is funded from the oil, gas, and coal natural resource account established by the 2005 Legislature through HB 758.
- The Hard-Rock Mining Impact Board is funded by a 2.5 percent allocation of the Metalliferous Mines License Tax.
- The Treasure State Endowment Program is funded by interest earnings from the treasure state endowment fund, a sub-fund within the coal tax trust fund. Fifty percent of the coal severance taxes that go into the coal tax trust fund are to be transferred to the treasure state endowment fund for a 23-year period, which began in 1993.

The Community Development Division's responsibilities are primarily mandated in Title 90, Chapter 1 and Chapter 6, MCA; and federal authorizations 24 CFR 570, subpart 1; and 42 USC 5301.

### **Mission:**

To provide technical and financial assistance to county and municipal governing bodies, planning boards, community development groups, human resources development agencies, private developers, consultants, and the public regarding community planning and needs identification, planning and financing for the construction of public facilities, community development and housing planning and financing; and coal and hard rock mining impact mitigation.

## Goals and Objectives / Performance Indicators:

### Coal Board:

The Coal Board, created by the Legislature in 1975, assists local governments, which have been required to expand the provision of public services as a consequence of large-scale coal development or a decline in coal-related activity. This seven-member board, appointed by the Governor, establishes administrative policies and implements state law. The Coal Board funds applications for grants awarded pursuant to 90-6-207, MCA, which provides guidelines for identifying those counties, communities, school districts, or other governmental entities that qualify as 'impacted' through the development, use, or decline of coal production.

Coal Board	Actual FY 2004	Actual FY 2005	Actual FY 2006	Estimated FY 2007	Requested FY 2008	Requested FY 2009
Applications	24	24	30	25	25	25
Grants	9	10	15	10	15	15
Board Meetings	4	4	4	4	4	4
Conference Calls	4	2	2	2	2	2

### Coal Board Grants:

The Coal Board anticipates increased future demand for local impact grants due to increased activity involving coal mining and energy generation development as demonstrated by projects either already permitted or currently in the permitting or planning stage. These include the following projects:

- A coal-fired electric and wood co-generation plant has been completed in Thompson Falls that would burn 550 rail car loads of coal from the Bull Mountain Mine near Roundup annually. The plant is currently idle due to charges by the Montana Department of Environmental Quality that air-quality requirements have not been met. As of April 2006, the plant was seeking modification of its air quality permit.
- An MDU subsidiary, Centennial Power, has completed construction on a 160-megawatt coal-fired generating plant at Hardin. MDU has signed a three-year contract to sell the power from the plant to Powerex, a subsidiary of BC Hydro. The plant started operation in 2006.
- Bull Mountain Power has proposed a 780-megawatt pulverized coal-fired generating plant using 2.7 million tons of coal per year from the Bull Mountain Mine at Roundup. The Montana Environmental Information Center has appealed the air quality permit issued by the Montana DEQ for the project. The Bull Mountain Mine produced 168,063 tons in 2005.
- Great Northern Power Development of Denver and Kiewit Mining Group of Omaha have proposed a \$1 billion 500-megawatt coal-fired circulating fluidized bed generating plant near Nelson Creek west of Circle. The project would be just east of Highway 24 and north of Montana 200 and would go on line in 2009. Direct and in-direct employment is estimated at 1,200 jobs. The project would also include a 60 MW wind generation component.
- The Southern Montana Electric G & T Co-op, created in 2003 by five Montana rural electric co-operatives, has proposed a 250-megawatt coal-fired power plant 8 miles east of Great Falls near Highwood. The \$470 million plant would use about 1.1 million tons of Montana coal annually. The plant would require about 400 workers for construction and 65 permanent workers for operation. The permit application is under review by DEQ.

- The Otter Creek Tracts 1, 2, and 3 coal deposits, with over 533 million tons of estimated super-compliant coal reserves, have been proposed as the site for a 3,000-megawatt coal generation plant by Kennecott, Bechtel, and Wesco.

In addition, other existing Montana coal mines that mine sub-bituminous coal include:

- Decker Coal Company at West Decker (6.9 million tons in 2005),
- Spring Creek Mine at Decker (13.1 million tons in 2005),
- Western Energy Company's Rosebud Mine at Colstrip (13.1 million tons in 2005), and
- Westmoreland Resources' Absaloka Mine at Hardin (6.6 million tons in 2005).

Westmoreland Resources also has a lignite mine at Savage that produced 323,536 tons of coal in 2005.

The Peabody Group's Big Sky Mine at Colstrip closed in December, 2004, and is being reclaimed. No coal has been shipped out of the East Decker Mine since December 2004.

### **Hard Rock Mining Impact Board:**

The Montana Hard Rock Mining Impact Board, created by the Legislature in 1981, exists to provide technical assistance, analysis, and mitigation and mediation services to local governments and hard rock mining developers where potentially adverse public fiscal impacts from large-scale development are identified. This five-member board, appointed by the Governor, establishes administrative policies and implements state law. The Board administers the Hard-Rock Mining Impact Act (HRMI) (90-6-301, MCA) and the companion Property Tax Base Sharing Act (PTBS) (90-1-401, MCA) and provides technical assistance with metal mines license tax distributions. The Board adjudicates disputes between affected entities. The purpose of the HRMI and PTBS acts is to mitigate the local government service, facility and fiscal impacts from new large-scale hard-rock mineral developments in Montana.

Mineral developers and affected local governments prepare and implement impact plans intended to ensure that local government services and facilities are available when and where they are needed as a result of new mineral developments, without imposing additional costs on existing local taxpayers. Developers pay new capital and net operating costs through prepaid property taxes with a subsequent tax credit, grants, or facility impact bonds.

Currently, only the Stillwater Mining Company's Nye Mine in Stillwater County and East Boulder Mine in Sweetgrass County have adopted and approved impact plans. Both mines are platinum and palladium mines.

- Revett Minerals Inc., previously known as Sterling Mining Company, has proposed reopening the Troy Mine, a copper and silver mine ten miles south of Troy. The mine began operating in 1981 but closed in 1993 because of low metals prices, resulting in the loss of 320 jobs in the area.
- Revett has also proposed the \$200 million Rock Creek Mine, located beneath the Cabinet Mountains Wilderness, which would also extract copper and silver ore. If approved, the mine would create 250 jobs.
- Mines Management Inc. has acquired control and ownership of the Montanore Project previously owned by Noranda Inc. Montanore is a proposed underground silver and copper mine located near Libby, Montana. The ore deposit is located in Sanders County but the mine facilities would be located in Lincoln County. Noranda shut down the project in 1991 after driving the Libby Creek adit 14,000 feet

Hard Rock	Actual FY 2004	Actual FY 2005	Actual FY 2006	Estimated FY 2007	Requested FY 2008	Requested FY 2009
Board Meetings	1	2	6	2	2	2
Conference Calls	4	4	4	4	4	4

### **Treasure State Endowment Program (TSEP):**

TSEP is a state-funded grant program created to help local governments fund infrastructure projects, defined by statute as drinking water systems, wastewater treatment, sanitary sewer or storm sewer systems, solid waste disposal and separation systems, including site acquisition, preparation, or monitoring; and bridges. TSEP was authorized by Montana voters through the passage of Legislative Referendum 110 in June 1992 (90-6-701, MCA).

### **Construction Projects – Applications Received and Reviewed:**

Applications for funding local government public facility construction projects are accepted by the program in even-numbered years preceding the Legislature, since projects and funding must be approved by the Legislature. The program received 57 applications in FY 2006, with half of their review and evaluation occurring in FY 2006 and the remainder in FY 2007. These applicants are competing for funds that will become available during the 2009 biennium. The treasure state endowment fund grows each year, which in turn provides more funds each biennium for award to construction projects. The program estimates that a similar number of applications would be received and reviewed in FY 2008 and 2009 as a result of growth and the additional need for centralized water and wastewater systems, aging infrastructure needing to be replaced, and new federal and state standards and regulations that require that improvements be made.

### **Construction Projects – Awards:**

Construction projects are authorized for funding every other year by the Legislature. Forty projects were awarded matching grants by the 2005 Legislature. Based on the interest earnings received from the treasure state endowment fund in FY 2006, it appears that the total amount of interest earnings that was projected and awarded by the Legislature will, in fact, not be received during the 2007 biennium, and there may not be sufficient funds for all forty projects. The revenue projections provided in the HJR 2 estimated that \$8,578,934 would be earned in FY 2006, when in fact only \$7,541,731 was realized in FY 2006, which is \$1,037,203 less than what was projected. The estimated 35 new projects that would potentially be funded from the 2009 biennium interest earnings assumes that approximately \$18 million would be received during the 2009 biennium.

### **Active Construction Projects:**

Once TSEP funds have been awarded by the Legislature to communities for a construction project, the project is considered "active" until it is "conditionally closed." During this time period, the program staff assists the local government in administering program funds and managing the construction of the project in compliance with state laws and regulations. An active project is conditionally closed when the construction project has been completed and accepted by the local government, and the local government has submitted documentation describing what was actually accomplished and expended for each funding source involved in the project. Once the project is conditionally closed, the final disbursement of TSEP funds is provided to the local government. The estimate for FY 2007 is based on the 74 active construction projects at the end of FY 2006, less approximately 33 that are likely to be conditionally closed during FY 2007. The estimate for FY 2008 and FY 2009 assumes that 35 new construction projects would be awarded TSEP funds by the 2007 Legislature.

**Preliminary Engineering Grants:**

In order to submit an application requesting TSEP funding for a construction project, the applicant must include a detailed preliminary engineering report, which documents the problems, evaluates all reasonable alternative solutions, and finally, describes the alternative that the applicant has selected to solve the problems. The 2005 Legislature appropriated \$600,000 to the Department of Commerce for the purpose of providing communities with matching grants for preliminary engineering work. The department awarded 43 grants totaling \$599,985 during the 2007 biennium, and 28 of those studies have been completed as of June 2006. Of the 57 grant applications for construction projects received in FY 2006, 34 of the local governments also received a TSEP grant in the past to help fund their preliminary engineering study. The estimated number of studies that would be funded during the 2009 biennium assumes that \$600,000 would be appropriated and that each of the 40 communities applying would request the maximum amount allowed. Potentially, a few more communities could be awarded grants if some applicants request or use less than \$15,000.

**Emergency Grants:**

The 2005 Legislature appropriated \$100,000 to the Department of Commerce for the purpose of awarding grants to local governments for emergency public facility projects that cannot wait for legislative approval. No emergency projects were funded during FY 2006. The estimated number of emergency projects to be funded during the 2009 biennium assumes that the Legislature would again appropriate \$100,000 for emergency projects.

TSEP	Actual FY 2004	Actual FY 2005	Actual FY 2006	Estimated FY 2007	Requested FY 2008	Requested FY 2009
Construction Applications Received and Reviewed	47	0	57	0	60	0
Construction Grants Awarded	0	40	0	35	0	37
Active Construction Projects	74	96	74	76	65	60
Preliminary Engineering Grants Awarded	32	0	43	0	40	0
Emergency Grants Awarded	3	1	0	3	3	3

**Community Development Block Grant (CDBG) Program:****Active Projects:**

Montana has been operating the CDBG Program in cooperation with the U.S. Department of Housing and Urban Development (HUD) since 1982. Since that time, Montana has received over 166 million dollars in CDBG funds for the housing and public facilities categories. Typically, at any one time, the CDBG Program for Housing and Public Facilities is responsible for the administration of over forty public facilities and housing projects that are underway within the State. The majority of the public facilities projects are grants to local governments to undertake

needed water and wastewater system improvements. Grants have also been made to Montana local governments to fund senior centers, fire halls, hospitals, and Head Start centers.

Local governments can also use the CDBG program to fund the rehabilitation of substandard homes within a community or to undertake the new construction of housing units for low and moderate income persons, working in conjunction with a non-profit organization that will own and operate the housing project. Housing grants are also made to local governments to provide down payment assistance for housing purchase by low and moderate income families and to demolish vacant, deteriorated buildings.

The program is also responsible for the administration of approximately 15 to 20 planning grants that are awarded annually to local governments to assist them in evaluating public facilities or housing needs, or to prepare community growth policies and capital improvement plans.

Three formal grant competitions are held each year: a spring grant competition for planning grants; a summer grant competition for public facilities; and a fall grant competition for housing projects. CDBG staff is responsible for ensuring that federal and state laws and regulations are complied with during the implementation of local projects. CDBG staff also assists local governments in administering their projects. Active projects are conditionally closed when the project has been completed and accepted by the local government. The project is granted final closeout status after submission of a local government audit which includes the CDBG project funds.

In federal fiscal year (FFY) 2006, the Bush Administration proposed to eliminate the CDBG program. Congress rejected that proposal, but did cut funding 10%. President Bush proposed a 25% cut in CDBG funding for FFY 2007, but it does not appear that Congress will approve a major cut in funding for the program.

Since 2003, MDOC has conducted the ranking of housing and public facility CDBG projects in the calendar year prior to the actual receipt of the FFY allocation that will fund those projects. This allows MDOC to award grants to communities immediately upon receipt of HUD's CDBG allocation for the State. The grants are awarded in order of the ranking scores assigned, based on the amount of funds allocated to the housing and public facilities project categories. This eliminates the lag time between the receipt of the State's CDBG allocation and the award of those funds. This procedure also has the benefit of allowing public facility projects applying for both CDBG and TSEP funding to be reviewed in even-numbered years by both programs concurrently.

Successful applicants under the public facilities grant competition announced in September are able to draw upon funds seven months later in April when CDBG funds are received from HUD. Similarly, successful housing grant applicants announced in February will be able to draw upon funds two months later when the CDBG funds are received from HUD in April.

CDBG	Actual FY 2004	Actual FY 2005	Actual FY 2006	Estimated FY 2007	Requested FY 2008	Requested FY 2009
Applications Reviewed						
Public Facilities	14	11	17	15	17	17
Housing	9	4	8	8	8	8
Planning	33	33	22	25	25	25
Grants Awarded						
Public Facilities	8	7	8	8	8	8
Housing	6	3	4	4	4	4
Planning	14	23	21	20	20	20